

For cost reporting requirements prior to August 1, 1986, actual allowable costs which would include operation, maintenance, gas and oil, and straight-line depreciation (over a 5 year useful life and limited to 10,000 maximum vehicle cost) will be used in determining allowable costs for cost centers other than administration. Should these specialty vehicles be made available for personal use of the facility employees, then that percentage of cost would be reclassified to nonallowable expense.

Any vehicle that cannot be identified to charge to the appropriate cost center will be charged to administration and follow administration vehicle allowable cost guidelines. However, only that portion of such costs related directly to patient care related purposes will be allowed.

B) Dues

Association dues will be recognized for reimbursement purposes only when the dues are for professional services that are patient care related.

Any component of association dues related to legal actions against state agencies, lobbying, etc., will not be recognized. All nursing home associations will submit a copy of an audited certified financial statement by an independent accounting firm showing the annual operating cost of the association, and a projected budget to the SCDHHS.

The SCDHHS must approve the independent certified public accounting firm that prepares the certified financial statement. The portion of dues that pertain to litigation against state agencies and lobbying expenses will not be allowed. For the rates established, 90% of this line item will be allowed. However, if by audit it is determined that the portion of dues expended on lobbying, entertaining legislators and legal action against state agencies exceeds 10% of the dues, that amount will be disallowed. The per diem rate for each nursing home that claims association dues will be adjusted at the time costs are determined to be nonallowable and such per diem rate adjustments will be effective for the entire contract period.

C) Legal Fees

Allowable costs include reasonable legal fees and charges (not to exceed \$75/hr.) arising from normal, day-to-day business activities related to patient care. Any legal fees recognized must be demonstrated to be necessary for the operation of the facility. Legal fees related to specialized areas, if higher, require prior approval from the SCDHHS. To be approved, rates must be comparable for comparable services. Other legal charges, including, but not limited to, those incurred in administrative appeals and/or litigation involving state agencies, are

SC: MA 99-012

EFFECTIVE DATE: 10/01/99

RO APPROVED: 3/10/00

SUPERSEDES: 95-018

not allowable cost. However, reasonable legal fees incurred in administrative appeals of audit exceptions may be refundable through a one-time adjustment to the account receivable. The amount of the adjustment shall be determined by the Agency Hearing Panel, upon documentation, but shall not exceed 15% of the amount recovered through appeals or \$1,000, whichever is lower. However, in no case will attorney's fees related to litigation or appeals be recognized in determining the prospective per diem rate.

D) Travel

Patient care related travel will be recognized in accordance with South Carolina state employees per diem and travel regulations. Out-of-state travel will be limited to the 48 states located within the continental United States. Further, such out-of-state travel must be either the reasonable allocable portion of cost for chain facilities with out-of-state offices; or (1) be for the purpose of meeting continuing education requirements and (2) must be to participate in seminars or meetings that are approved for that purpose by the South Carolina Board of Examiners for Nursing Home Administrators. Allowable cost for attendance at out-of-state meetings and seminars will be limited to two trips per year per facility. Also, out-of-state travel does not include travel to counties bordering the State of South Carolina. Effective for July 1, 1990 payment rates, travel to the following states/areas are treated as in-state travel, and thus are not subject to the limits on out-of-state travel: Georgia, North Carolina, Washington D.C., and Baltimore, Maryland.

E) Director Fees

Director fees and costs associated with attending board meetings or other top management responsibilities will not be allowed. However travel to and from the directors meetings will be allowed at the per mile rate for state employees and will be limited to in-state travel.

SC: MA 99-012

EFFECTIVE DATE: 10/01/99

RO APPROVED: 3/10/00

SUPERSEDES: MA 98-009

F) Compensation: (Direct and Indirect) (These limits below do not include fringe benefits provided on a non-discriminatory basis.) ALLOWABLE COMPENSATION RANGES FOR OWNERS (LESSORS) AND/OR THEIR RELATIVES AND LESSEES AND/OR THEIR RELATIVES:

| Job Title                 | 0-60 Beds<br>Adjusted<br>Annual Salary | 61-99 Beds<br>Adjusted<br>Annual Salary | 100+ Beds<br>Adjusted<br>Annual Salary |
|---------------------------|--|---|--|
| Director of Nursing       | \$39,310                               | \$42,737                                | \$45,170                               |
| Registered Nurse          | 33,758                                 | 36,853                                  | 36,853                                 |
| Licensed Practical Nurse  | 25,160                                 | 26,271                                  | 26,271                                 |
| Aide/Orderly              | 12,851                                 | 12,851                                  | 12,946                                 |
| Social Services Director  | 20,387                                 | 21,238                                  | 23,529                                 |
| Social Services Assistant | 14,434                                 | 19,655                                  | 20,341                                 |
| Activity Director         | 15,711                                 | 18,852                                  | 19,420                                 |
| Activity Assistant        | 14,058                                 | 14,058                                  | 14,670                                 |
| Dietary Supervisor        | 19,725                                 | 21,734                                  | 24,357                                 |
| Dietary Worker            | 12,734                                 | 12,734                                  | 12,946                                 |
| Laundry Supervisor        | 15,995                                 | 15,995                                  | 18,167                                 |
| Laundry Worker            | 11,694                                 | 11,694                                  | 12,001                                 |
| Housekeeping Supervisor   | 13,913                                 | 19,490                                  | 19,797                                 |
| Housekeeping Worker       | 11,764                                 | 11,764                                  | 12,355                                 |
| Maintenance Supervisor    | 23,246                                 | 23,246                                  | 23,768                                 |
| Maintenance Worker        | 15,781                                 | 17,316                                  | 17,552                                 |
| Administrator             | 42,358                                 | 52,657                                  | 62,227                                 |
| Assistant Administrator   | 34,634                                 | 35,248                                  | 35,248                                 |
| Bookkeeper                | 21,710                                 | 21,710                                  | 25,750                                 |
| Secretary/Receptionist    | 17,246                                 | 17,246                                  | 17,695                                 |
| Medical Records Secretary | 18,497                                 | 18,497                                  | 18,497                                 |

SC: MA 99-012

EFFECTIVE DATE: 10/01/99

RO APPROVED: 3/10/00

SUPERSEDES: MA 97-008

1. The above are maximum limits of allowable compensation to owners and/or relatives who are actually performing these duties 100% of a normal work week. Part-time performance will be computed on percentage of time spent. No individual will have more than one full time equivalent (40 hours per week) job recognized in the Medicaid program.
2. If the facility has under 60 beds, only (1) Administrator and/or Business Manager is allowed.
3. Allowances for any position not specifically listed herein will be based on comparable positions.
4. Other items of consideration to be used in adjustments to these maximum allowances are:
  - a. Determination that the job is necessary and that the person is actually there 40 hours per week. (The owner/lessee must certify and document that the job is necessary, and the relative actually worked on the premises the number of hours claimed.) (Certification Statement II, Relatives Employment)
  - b. The time period during which these duties were performed.
  - c. Accounting period bed changes based on dates of change.
5. Allowable compensation amounts shown above will be adjusted annually by annual cost of living raises provided to state employees.

G) ALLOWABLE COMPENSATION RANGES FOR OWNERS AND/OR THEIR RELATIVES EMPLOYED BY PARENT COMPANIES

| Job Title   | 0-60<br>Beds | 61-99<br>Beds | 100-257<br>Beds | 258 Beds<br>or More |
|---|--------------|---------------|-----------------|---------------------|
| CEO   | \$42,358     | \$52,657      | \$62,227        | \$80,894*           |
| Medical Director  | 38,122       | 47,392        | 56,004          | 72,805              |
| Asst. CEO, Controllor, Corporate Secretary, Corporate Treasurer, Attorney                                       | 31,768       | 39,494        | 46,670          | 60,671              |
| Accountant, Business Mgr., Purchasing Agent, Regional Administrator, Regional V-Pres., Regional Executive       | 29,651       | 36,861        | 43,557          | 56,625              |
| Consultants {Social, Activities, Dietary (RD), Physical Therapist (RPT), Medical Records (RRA), Nursing (BSRN)} | 27,533       | 34,227        | 40,447          | 52,581              |
| Secretaries/Clerks  | 17,246       | 17,246        | 17,695          | 17,695              |
| Bookkeepers   | 21,710       | 21,710        | 25,750          | 25,750              |

\* 100+ Administrator Salary Guideline plus 30%

SC: MA 99-012

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1. The above are maximum limits of allowable cost for owners and/or relatives who are actually performing these duties 100% of a normal work week. Part-time performance will be computed according to time spent. No individual will have more than one full time equivalent (40 hour per week) job recognized in the Medicaid program.
2. No assistant operating executive will be authorized for a chain with 257 beds or less.
3. Allowable compensation amounts shown above will be adjusted annually by annual cost of living raises provided to state employees.

H) Management Fee

Only reasonable management fees which result in lower total costs shall be included in allowable costs. Each centrally managed facility shall submit a home office cost report which separately identifies each cost by cost categories. The costs so identified will be individually tested for reasonableness and then assigned to the appropriate line item in the individual facility's cost report.

For purposes of setting the current administrative cost standards, the administrative costs of those centrally managed facilities that reported their management fee as a single line item among administrative costs in their cost report shall be excluded from the computation of the administrative standard. Those centrally managed facilities which identified their management fee as a single line item among administrative costs shall have the management fee included in administrative cost for the purpose of rate calculation.

I) Other Benefits

The other benefits such as pensions, group life insurance, and health insurance can be recognized if these benefits are provided in accordance with sound financial/management practices by the provider. This excludes from allowable cost Key Man Life Insurance and benefits made available only to an exclusive number of employees, including the owner of the facility. Other benefits are accumulated to applicable cost centers.

J) Payroll Taxes and Benefits

Payroll taxes and benefits should be reported in the cost center applicable for the salaries to which they relate. Payroll taxes and benefits will be limited in the same proportion that compensation is limited.

K) Routine Laundry Services

Effective October 1, 1993, basic personal laundry services are to be provided to all patients of the facility free of charge. All laundry costs associated with basic patient personal laundry will be included in allowable costs in the laundry cost center. Basic personal laundry does not include dry cleaning, mending, hand washing or other specialty services; these services need not be provided and residents may be charged for such services if they request them.

L) Specialty Bed Expense

Specialty beds are defined as air fluidized therapy beds and low air loss beds. For rates effective October 1, 1994, specialty bed costs that will be reimbursable under the South Carolina Medicaid nursing facility reimbursement rate will consist of only specialty bed costs for Medicaid recipients in which the nursing facility did not receive reimbursement from the Medicare Program for this service. The specialty bed costs that will be excluded from allowable costs will consist of direct costs only. No indirect costs associated with the removal of specialty bed expense will be removed from allowable costs in order to encourage Medicare participation.

M) Ancillary Services Reimbursement

Ancillary services provided to Medicaid recipients are allowable costs, and thus, reimbursable under both the Medicare and Medicaid Programs. Medicare reimburses these costs outside of the overall routine per diem rate while Medicaid reimburses these costs as a part of the overall routine per diem rate. Ancillary services which are reimbursed by Medicare include: physical therapy, speech therapy, oxygen therapy, occupational therapy, medical supplies, PEN therapy and other special services. Effective January 1, 1995, in order to avoid dual reimbursement of these costs from both the Medicare and Medicaid Programs, the SCDHHS will only include the costs of the Medicaid recipients' ancillary services which are not reimbursed by the Medicare Program in the facility's Medicaid reimbursement rate. However, when ancillary service costs are reimbursed as part of routine costs by Medicare (e.g. PEN Therapy), these costs will continue to be treated as allowable costs in the facility's Medicaid reimbursement rate. Therefore, only those costs which are reimbursed outside of the overall routine per diem rate by Medicare will be removed from allowable costs for Medicaid rate setting purposes. The ancillary services costs that will be excluded from allowable costs will consist of direct costs only. No indirect costs associated with the removal of ancillary services will be removed from allowable costs in order to encourage Medicare participation.

For state operated long term care facilities which are reimbursed retrospectively their total allowable costs, no adjustment to the Medicaid rate will be made to ancillary services (including specialty beds) to adjust for dual reimbursement by both the Medicare and Medicaid Programs. Instead, Medicare Part A and Part B ancillary services cost settlements will be made upon submission of the annual FYE June 30 cost reports in accordance with the cost reporting schedules.

SC: MA 99-012

EFFECTIVE DATE: 10/01/99

RO APPROVED: 3/10/00

SUPERSEDES: N/A

Pursuant to the above, it shall be the responsibility of the provider to bill the Medicare Program for the reimbursement of covered ancillary services provided to dual eligible recipients. Failure to implement billing procedures by January 1, 1995 will result in an adjustment to allowable cost.

N. Eden Alternative Expenses

The costs incurred by nursing facilities which participate in adopting the Eden Alternative concept will be considered an allowable cost for Medicaid rate setting purposes. The goals of the Eden Alternative are to improve the quality of life in nursing facilities, and transform the conventional nursing facility into a vibrant human habitat for its residents. The incorporation of gardens, animals, birds, and children into the daily activities of the nursing facility residents assists in meeting these goals.

As with all other allowable Medicaid costs, these costs will be subject to reasonableness and must be related to patient care. Additionally, Eden Alternative expenses must be offset by grant income. Costs associated with fund raising activities applicable to the Eden Alternative concept or any other fund raising program will not be considered an allowable cost for Medicaid rate setting purposes.

SC: MA 99-012  
EFFECTIVE DATE: 10/01/99  
RO APPROVED: 3/10/00  
SUPERSEDES: N/A

Enclosure 4

Attachment 4.19 D

The State has in place a public process which complies with the requirements of Section 1902(a)(13)(A) of the Social Security Act.

Approval Date MAR 06 1998  
Effective Date 10/01/97

Plan # 97-008  
Supersedes Plan # 96-009